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Reagan's Trials—Foreign and Domestic

The prospect of humiliating defeat on the AWACS deal is traced inside the administration to President Reagan's decision to denature his National Security Council staff instead of using it as a last line of protection against errors of Cabinet departments.

Persian Gulf security for the industrialized democracies is the obvious first cost of losing the sale of the AWACS radar planes to Saudi Arabia. Other costs are mounting fast: a move bruited about the Senate to block Britain from selling its Nimrod radar aircraft to the Saudis; ominous reports from Riyadh that the Saudis may reduce oil production if the AWACS deal fails, inflating energy costs for the West.

The AWACS deal has the full support of State, Defense and the CIA. But the NSC staff no longer acts as an inside arbiter to warn the president: a deal could go sour. So, Secretary of Defense Casper Weinberger rammed it through the National Security Council last spring, without portents of political disaster getting aired in Ronald Reagan's Oval Office. Instead of protecting the president's interests, the NSC staff became the errand boy assigned to line up Senate votes.

That made NSC staff director Richard V. Allen the chief headhunter in the Republican-controlled Senate. Allen is

the first national security assistant not to have automatic access to the president and reports instead to all-powerful presidential counselor Edwin Meese III.

The decision to place Meese between himself and Allen was Reagan's device to deny power to his NSC staff, partly out of deference to Secretary of State Alexander Haig, partly to consummate his campaign pledge to denature the NSC staff. But Meese has a vast array of responsibilities, with little time for AWACS. Thus, Allen has had the responsibility without the authority.

The downgrading of Allen and his staff has cost Reagan dearly. Although Allen and his senior aides pretend otherwise, Reagan has been the target of constant end runs by Cabinet members knowing they could bypass the NSC apparatus to gain favored treatment.

Departmental feuding over arms control policy is "at the danger point," in the words of one high official. The NSC staff is in no position to assert authority. A dispute between Defense and State over whether to hold those talks in Geneva or Vienna lasted two months, causing one participant to leave a meeting in disgust. But the NSC staff lacked jurisdiction to resolve it.

These examples are insignificant compared to imminent defeat on the AWACS deal. When Allen and his staff were ordered to round up those Senate votes, their timetable called for mobilizing presidential lobbying in mid-July. But the NSC was told to be quiet until Israeli Prime Minister Menachem Begin finished his U.S. visit.

Ceding that time may deliver another blow to a president already reeling from domestic trials.

Ronald Reagan last Thursday night was trapped in the green-eyeshade economics that yielded the Republican Party a half-century of defeat when he urged Congress to "eliminate abuses and obsolete incentives in the tax code" to raise a supposed \$22 billion in revenue.

Whereas his campaign speeches stressed growth and hope, his Thursday night address to the nation demanded austerity and sacrifice.

The bipartisan reception on Capitol Hill was predictably hostile. Refusing to back deeper domestic spending cuts, even senior Republicans joined the firestorm against defense spending to return the Pentagon's budget to its Carter level.

Even worse for Reagan's revolution than the havoc wrought in defense plans is his retreat on tax policy. The proposed \$3 billion in "loophole closers" for fiscal 1982 mainly affects cash flow, which means that much less capital for business and that

much more for government.

As Stockman's new proposals failed to significantly reduce the budget deficit, the taxers at Treasury will unveil an end to tax deductions for consumer loans and certain mortgage payments. That very proposal was drafted by Treasury and OMB this time but turned down at the White House.

What really would mark the death of supply-side economics in the Reagan administration would be a postponement of the big tax-rate cuts beginning next year, which remain the hope for budget-balancing growth instead of deficit-enlarging austerity. Incredibly, a three-month postponement was actually studied last week by Reagan's senior advisers. In contrast, supply-siders in the administration believe the tax cuts are coming too late, not too early.

The OMB sent Reagan a paragraph that would have had him urging the U.S. Gold Commission to come up with monetary recommendations, but those words wound up on the White House cutting room floor. If, as now seems probable, the end product of Thursday's speech is a savaged defense budget and demands for higher taxes, Ronald Reagan, by year's end, will have to consider a bolder monetary policy than merely making suggestions to a study commission.

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